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TAGS: [PREL](#) [ENRG](#) [MASS](#) [KNNP](#) [ETRD](#) [IN](#) [PK](#) [NSSP](#)

SUBJECT: MAKING OUR SOUTH ASIA INITIATIVE A REALITY

REF: A. NEW DELHI 2299

[B.](#) NEW DELHI 2273
[C.](#) NEW DELHI 1824

Classified By: Ambassador David C. Mulford for Reasons 1.4 (B, D)

[¶1.](#) (S) Summary: We recommend capitalizing on Foreign Minister Natwar Singh's April 13-14 meetings with the Secretary and the President to make significant progress on

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strategic, energy and economic tracks the Secretary highlighted in her March 15-16 visit to India. Specifically, we suggest the Secretary:

-- make a forward leaning statement in the Secretary's joint press availability on India's UNSC aspirations (without making a specific commitment), and announce a visit by Shirin Tahir-Kheli to Delhi for further discussions on UNSC reform.

-- invite Secretary Bodman to attend the Rice/Singh meeting so Secretary Rice can announce Secretary Bodman will lead the US-India Energy Dialogue and a date or at least timeframe for Secretary Bodman to visit India;

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-- cast her meeting with Natwar as the launch of the Indo-US Strategic Dialogue and ask the President to express his support for it;

-- seek Natwar's agreement to establish a Defense Production Cooperation Group under the Economic Dialogue to underline our interest in expanding rapidly Indo-US defense trade;

-- announce a trip by the NASA Administrator to India to meet with ISRO Chairman Nair to launch a Space Working Group;

-- seek Natwar's agreement to constitute a Civil Nuclear Working Group perhaps led by Counselor Zelikow to examine how India and the US can expand civil nuclear cooperation;

-- tell Natwar that in order to respond to our promise to spur clean energy cooperation, we are prepared to expand USAID programs on rural electrification and clean coal technologies;

-- invite Montek Singh Ahluwalia to Washington to discuss with NEC Director Hubbard the future of the Economic Dialogue, including White House backing of a CEO Forum;

-- announce the restoration of GSP benefits to India in recognition of India's passage of its IPR bill;

-- tell Natwar that the US is ready to propose now India's entry into the Proliferation Security Initiative Core Group at the time of the G-8 summit provided India has agreed to support the PSI principles and has a significant operational proposal to table that underscores its capacity to be a player in PSI; and

We recommend the President:

-- re-emphasize the US objective of helping India become a world power in the 21st century;

-- tell Natwar that in return for what we expect will be a promise by him that India will submit its export control legislation as soon as Parliament reconvenes on April 18, we will take the steps necessary to prepare to conclude Phase 2 of the NSSP once we have had a chance to review the draft legislation.

End Summary.

Maintaining Momentum

[¶2.](#) (S) The MEA has indicated to us that Natwar is willing to visit Washington only if he can (1) show at least some progress in India's quest for UNSC membership and (2) launch

a US-India Energy Dialogue. Progress on these two issues would enable Natwar to tell Parliament when it reconvenes on April 18 that the US-India Strategic Partnership is quickly producing results. This will also lay the groundwork for additional progress during PM Manmohan Singh's expected visit to Washington in July. The following are the Embassy's explanations for these recommendations for progress.

UNSC Reform

13. (S) The GOI's top foreign policy goal is to become a permanent member at what is often referred to here as "The High Table," the UNSC. The MEA is in the middle of a major diplomatic campaign to achieve this objective. Despite our attempts to persuade the GOI that much larger issues of UN reform are at stake, the MEA considers some progress on this issue the other most important objective of Natwar's visit. If a forward leaning statement can be made by the Secretary in her joint press appearance with Natwar, it is his opinion that he can return to India as Parliament reconvenes with the prospect of demonstrating that the Secretary's initiatives are genuine and worthy of active engagement by the Government. If the Secretary also announces that Dr. Shirin Tahir-Kheli will travel to Delhi for discussions on UNSC reform, momentum will be strongly reinforced.

Energy Dialogue

14. (S) The MEA has made it clear that the launch of the Energy Dialogue is one of Natwar's two highest priorities for his visit. Although the energy dialogue has been the most active track of the Economic Dialogue with numerous bilateral activities across a broad spectrum (Refs A and C), greater strategic focus is required. Increased and higher level USG attention to the Energy Dialogue would be a sign that we want to be part of the solution to India's energy needs. The four areas that hold the greatest potential for cooperation are energy security, civil nuclear activities, natural gas, and cleaner/more efficient energy. India wants Cabinet-level sponsorship for the Dialogue, and would also like to see a timeline for action. We recommend that Secretary Bodman chair the Energy Dialogue. If this is possible, we believe Deputy Planning Commissioner Montek Singh Ahluwalia would agree to anchor the Indian side. (Four Indian Ministers divide up energy responsibilities making Montek the logical choice to lead the Indian side.) We recommend Secretary Rice invite Secretary Bodman to attend the Rice/Singh meeting so Secretary Rice can announce Secretary Bodman will lead the

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US-India Energy Dialogue and a date or at least a tentative timeframe for Secretary Bodman to visit India.

Strategic Dialogue

15. (C) We recommend the Secretary cast her meeting with Natwar as the launch of the Indo-US Strategic Dialogue, and ask the President to express his support for it during his meeting. In terms of substance, we recommend the creation of a Defense Production Cooperation Group (DPCG) under the U.S.-India Economic Dialogue that would lay further groundwork for our emerging strategic defense relationship. Such a DPCG could streamline and subsume existing defense industry dialogues under the High Technology Working Group and Senior Technology Security Group.

16. (C) Establishing the DPCG would encourage direct bilateral commercial interaction on the basis of corporate partnerships for defense cooperation. The group's objectives would be to remove political and bureaucratic barriers, and facilitate maximum private sector involvement. Military sales as the platform for cooperation will propel development of India's defense sector, spin off new industries, spur economic growth, and create jobs.

Space Working Group

17. (S) To invigorate US-Indian space cooperation, we propose the implementation of a Space Working Group led by the NASA Administrator and the Chairman of the Indian Space Research Organization. We recommend the Secretary announce a trip by the NASA Administrator to India to meet with ISRO Chairman Nair to formally launch the Space Working Group.

Civil Nuclear

18. (S) In view of India's critical energy needs, and the highly sensitive nature of cooperation in this area with a nuclear weapons state that is not party to the NPT, we recommend the establishment of a Civil Nuclear Working Group

(CNWG) under the Energy Dialogue to discuss what steps India must take to demonstrate its unequivocal support for the principles of the NPT so that the US can then consider ways to expand our cooperation in this area. This group could look at broader ways the US could support nuclear safety of Indian power plants, review our policy of blocking India's efforts to acquire uranium for civil nuclear power from other countries, and pursue additional US-India cooperation on fusion research and safe reactor designs. By moving our civil nuclear relationship forward within the constraints of our NPT and NSG obligations, we believe we can move Indian policy on other issues of importance to us, and fold civil nuclear issues into the broader matrix of cooperative energy and economic efforts. The GOI would welcome the naming of a senior official such as Counselor Zelikow to anchor the US side.

Rural electrification and clean coal technologies

¶9. (U) With a large portion of India's rural population lacking access to electric power, and a political imperative to spur rural development, the GOI has evinced strong interest in the US experience in electrifying America during the early/mid 20th century through the USDA Rural Utilities Service (RUS). An innovative partnership program that USAID/India has established pairs RUS with the GOI Rural Electrification Corporation (REC). The travel of senior REC staff and GOI power sector officials to the US in April and May to learn about possibilities for developing cooperatives in Indian conditions provides an opportunity to increase our attention on this area.

¶10. (U) Clean Coal: India is one of the world's largest users of coal and a major emitter of greenhouse gases. DOE, USAID and EPA have a robust set of cooperative activities with India to encourage the use of clean, efficient, renewable energy. Although these activities have been generally successful, we need to raise their profile and broaden and deepen our efforts in energy efficiency, demand-side management, and distribution reform. Announcing a Clean Coal Initiative in conjunction with DOE, USAID, and EPA would signal that we are upgrading energy and environment activities already underway.

Economic Dialogue

¶11. (C) We have agreed with the GOI that the existing track structure of the Economic Dialogue should remain (trade, commerce, finance, environment, energy). We have not yet discussed with India our idea to break the energy dialogue out into a free-standing Energy Dialogue, but we expect the GOI would agree given the importance India attaches to enhanced energy cooperation with the U.S. We have also agreed on the need for high-level involvement by US and Indian CEOs in priority sectors. This would involve the convening of an informal group of CEOs from both countries which would meet once or twice to identify the most important impediments that require high level attention at the PM or White House level. The Embassy is now prepared to begin contacting US CEOs who would act as counterparts for India's Investment Commission. Announcement of White House support for this initiative during the Foreign Minister's visit would assure robust participation by US CEOs and the high level attention we require on the Indian side to gain traction on key issues, push forward structural economic reforms, and resolve remaining "legacy" issues.

Restoring GSP Benefits

¶12. (SBU) In recognition of recent significant improvements in India's patent system, which will have a resoundingly positive impact on US interests, we believe the time is ripe to reconsider India's status under the GSP. Despite some shortcomings in the law passed by the Indian Parliament on March 23, we believe the step India took merits recognition, and that the pharmaceutical product benefits suspended in 1992 because of India's weak IPR protection should be restored. With tariffs on most of those products now near or at the zero level, the economic importance of such a step would be limited, but an announcement would have political significance and carry with it a message of encouragement for further Indian efforts to strengthen its IPR regime. In the past, amendment of the Indian Patent Law has been considered the defining moment to review the GSP issue, so the timing could not be more appropriate.

PSI

¶14. (C) In order to anchor India's participation in the international non-proliferation enforcement regime, we must resolve the long-running impasse over India's participation in the Proliferation Security Initiative (PSI) Core Group.

India's exclusion from the Core Group has led to the GOI refusing to join the PSI initiative. We recommend the Secretary tell Natwar that the US will propose that India be

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incorporated into the PSI Core Group provided India has agreed to support the PSI principles and has a significant operational proposal to table that underscores its capacity to be a player in PSI. Formal entry could be recognized at the time of the G-8 Summit.

Natwar's Meeting with the President

¶15. (C) We recommend the President use his meeting with FM Singh first to re-emphasize the US objective of helping India become a world power in the 21st century. We also understand from the MEA that Natwar hopes to be able to tell the President that the GOI will submit its export control legislation early in the session of Parliament that begins on April 18. In return, the President should tell Natwar the USG will take the steps necessary to prepare to conclude Phase 2 of the NSSP once we have had a chance to review the draft legislation.

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